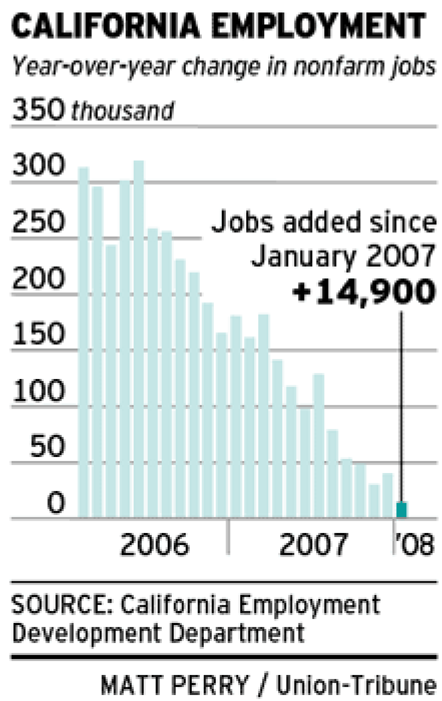
The San Diego Union-Tribune.

Jobless data raise fears of recession in California
All employment sectors in county shed workers in Jan.

By Dean Calbreath
March 1, 2008

Mounting job losses and a rising unemployment rate in California have raised fears that some regions of the state have slipped into recession and the rest of the state is on the edge.



In January, California lost more than 20,000 jobs, keeping the unemployment rate at nearly 6 percent, according to data released yesterday by the state Employment Development Department.

The data show that Orange County and the Inland Empire have been losing jobs for the past two quarters – fitting a commonly used definition of a regional recession.

Although San Diego County continues to perform better than the statewide average, every employment sector here shed workers in January. The unemployment rate hit 5.1 percent.

The county lost 6,500 jobs in January on a seasonally adjusted basis. Although most of the losses were related to real estate, they included hundreds of workers in hospitals, schools, professional services and manufacturing.

“These numbers don't bode well,” said Marney Cox, chief economist for the San Diego Association of Governments. “We're seeing additional weaknesses in areas where we should expect to see stability, which hints that there may be some underlying conditions that we might not have fully experienced yet.”

The culprit continues to be the bursting of the real estate bubble. In January, 13,000 workers throughout the state lost their jobs in the construction, real estate and mortgage industries, including 2,400 in San Diego County.

But the weakness has spread into other areas as well. Statewide in January, there were 1,500 job losses in leisure and hospitality services; 1,300 at educational and health services; and 25,100 job losses at information companies, mostly related to the recently settled screenwriters' strike in Hollywood.

The job losses were partly offset by hiring at retailers, professional and business services, and government agencies.

“Clearly, real estate and construction are the main drag areas,” said H.D. Palmer, deputy director of the state Finance Department. “I would not use the R-word (recession), but we do project slow job growth over the course of 2008, followed by a slight pickup in 2009.”

But a growing number of economists are using the R-word.

“California is going to have a recession,” said Esmael Adibi, an economist at Chapman University in Orange. “By our definition, Orange County and the Inland Empire – San Bernardino and Riverside counties – entered a recession in the third quarter of last year.”

Orange County, the headquarters for a number of major mortgage, construction and real estate development firms, lost 13,000 jobs between January 2007 and January 2008. The Inland Empire lost 7,300 jobs during the year – including 400 last month – after many of its overly optimistic real estate developments went bust.

The region went through a major real estate boom in the early 2000s as it vied to become a bedroom community for San Diego, Orange and Los Angeles counties.

Adibi noted that even though California continues to have positive year-over-year job growth, in January it was a negligible 0.1 percent. Adibi predicted the growth rate will turn negative for two consecutive quarters sometime this year, constituting a recession.

Adrian Fleissig, an economist at California State University at Fullerton, said San Diego County and the rest of Southern California are in “a pretty significant economic slowdown” that will continue for at least the next six to eight months.

Not all areas of California are hurting. Jobs grew by 1.3 percent from a year ago in the San Joaquin Valley and by 1.1 percent in the San Francisco Bay Area. Sacramento had an anemic 0.5 percent growth, just slightly better than San Diego County's growth rate of 0.4 percent.

In contrast, payrolls in Southern California outside San Diego County declined by 0.4 percent since January 2007.

As in other areas throughout the state, San Diego County's main weaknesses were in the construction and finance industries, which shed 2,400 jobs from December to January. But there also were 1,000 job losses in professional and business services – mostly temporary workers.

“That might be an early indicator that businesses are taking defensive positions: retracting, postponing investments, and spending less than they might if they had more confidence in the economy,” said Cox, the SANDAG economist.

Murtaza Baxamusa, director of research and policy at San Diego's Center for Policy Initiatives, a local think tank on labor issues, said the numbers show that low-wage workers are feeling the brunt of the job cuts.

“They are the first people to lose their jobs or have cuts in wages and hours,” Baxamusa said. “And they are the most vulnerable since they often lack savings and support networks to fall back on.”

Tim Thompson, managing director of the professional services group in the La Jolla offices of Spherion, a firm that recruits temporary, part-time and full-time workers, said the market is still good for upper-level jobs, including degreed professionals, technology workers and accountants.

“Whatever's going on in the mortgage and real estate world isn't affecting us,” he said.

Thompson said business has slowed in recent weeks, but he added that “that happens every January. After the Christmas holidays, there's a bit of flux, but then things get back on track.”

A poll released by Spherion yesterday showed that 71 percent of California workers surveyed believe the economy is getting weaker, an increase of eight percentage points from December. On the other hand, 77 percent believe it is unlikely they will lose their job in the next 12 months, an increase of one percentage point from December.